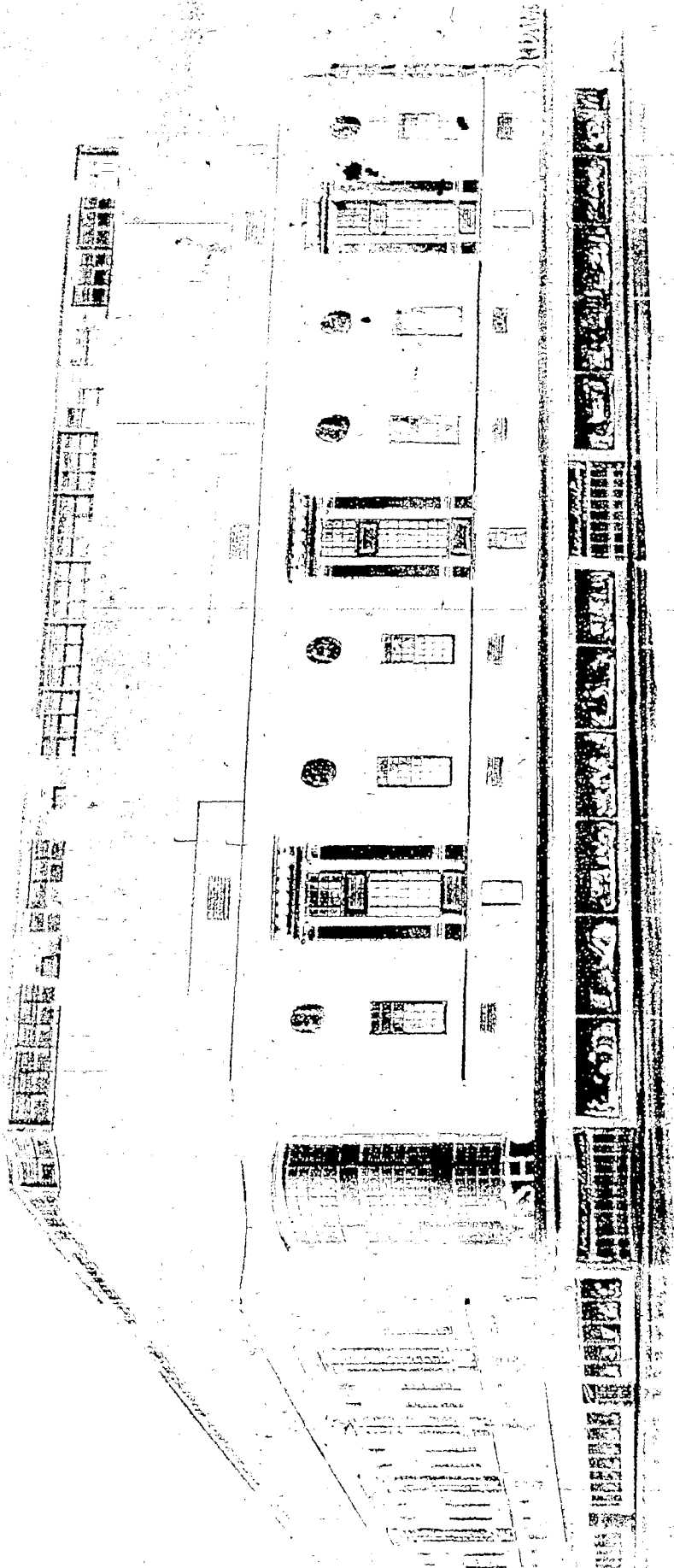


1947 ANNUAL REPORT



THE JORDAN MARSH OF TOMORROW
Construction commenced April, 1948

ALLIED STORES CORPORATION

DIRECTORS

C. C. ANDERSON
C. C. Anderson Stores Company, Boise, Idaho

EDWARD W. BROIDY
Allied Stores Corporation

JAMES H. CALVERT
Joske Bros. Co., San Antonio, Texas

ALBERT COONS
Allied Stores Corporation

PERCY J. EBBOTT
The Chase National Bank, New York, N. Y.

J. LESTER EISNER
Sigmund Eisner Company, New York, N. Y.

ROBERT R. GUTHRIE
New York, N. Y.

R. C. KRAMER
New York, N. Y.

PAUL M. MAZUR
Lehman Brothers, New York, N. Y.

CHARLES E. MCCARTHY
Allied Stores Corporation

EDWARD R. MITTON
Jordan Marsh Company, Boston, Mass.

B. EARL PUCKETT
Allied Stores Corporation

ROBERT W. PYKE
Allied Stores Corporation

EUSTACE SELIGMAN
Sullivan & Cromwell, New York, N. Y.

HAROLD J. SZOLD
Lehman Brothers, New York, N. Y.

OFFICERS

B. EARL PUCKETT	President
EDWARD R. MITTON	Vice-President
ALBERT COONS	Vice-President
EDWARD W. BROIDY	Vice-President
CHARLES E. MCCARTHY	Vice-President
ROBERT W. PYKE	Vice-President
THEODORE SCHLESINGER	Vice-President
W. EARL MCCORMICK	Vice-President
ARTHUR C. HALLAN	Secretary-Treasurer
RALPH W. BUTTON	Assistant Secretary
ROBERT W. KUHL	Assistant Treasurer

GENERAL COUNSEL

SULLIVAN & CROMWELL
48 Wall Street, New York, N. Y.

AUDITORS

ERNST & ERNST
19 Rector Street, New York, N. Y.

TRANSFER AGENT

Preferred and Common Stocks
THE COMMERCIAL NATIONAL BANK AND TRUST COMPANY OF NEW YORK
46 Wall Street, New York, N. Y.

REGISTRARS

Preferred Stock
THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK
11 Broad Street, New York, N. Y.

Common Stock
THE NEW YORK TRUST COMPANY
100 Broadway, New York, N. Y.

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ALLIED STORES CORPORATION

1440 BROADWAY

NEW YORK 18, N. Y.

May 11, 1948.

To the Stockholders:

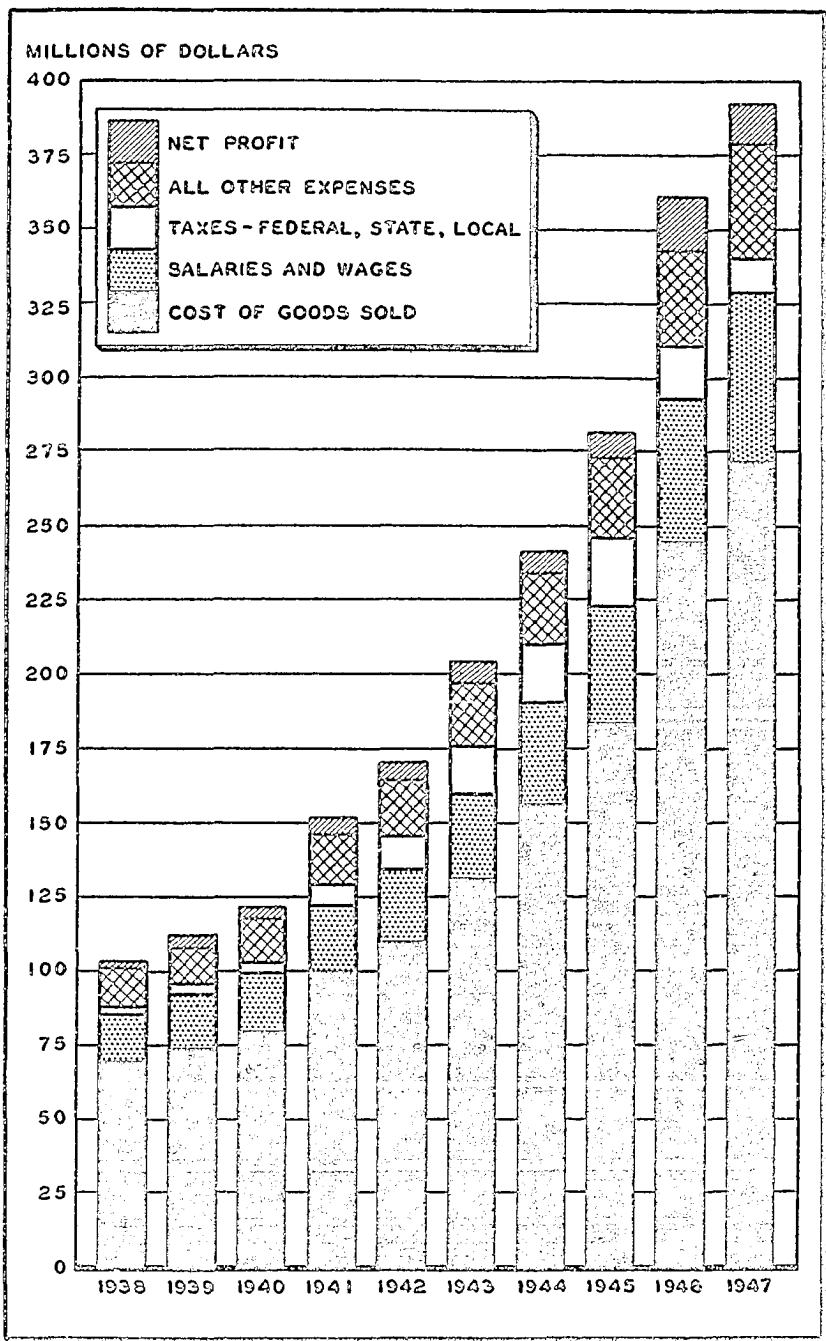
In the following paragraphs the operating results of Allied Stores Corporation and subsidiary companies for the fiscal year ended January 31, 1948 (hereinafter referred to as the year 1947), and the financial condition at the close of the period are briefly summarized and certain pertinent comparisons are made with operating and financial statistics of earlier periods. Consolidated statements of profit and loss, earned surplus and capital surplus for the year, and a consolidated balance sheet at the close of the year, certified by Ernst & Ernst, the Company's public accountants, are included as part of this report. Also included are additional financial statements covering a decade of operations, graphs setting forth certain pertinent data and special sections on the subjects of:

1. Merchandising Comments
2. The Company's Personnel
3. Acquisitions
4. Physical Plant Expansion and Modernization
5. The Company's Funded Debt
6. The Company's Capital Stocks

RETAIL SALES

The year 1947 produced another all time high record of consumer purchasing power. The supply of merchandise was brought more closely into balance with demand. While a further rise in price

NET SALES AND THEIR DISTRIBUTION 1938 TO 1947



levels increased the Company's sales as expressed in terms of dollar volume, actual physical volume or number of units sold showed a decrease for the year. The Company's dollar sales, \$392,199,076, were the highest in its history and 8.4%, or approximately thirty million dollars, greater than in the preceding year. Of this thirty million dollar sales increase, approximately seven and one-half million dollars represents sales of stores acquired during the periods compared, while the remainder represents increases in the sales of stores owned throughout the two year period ended January 31, 1948. Sales volume compared with the years immediately preceding follows:

		% Increase
1947.....	\$392,199,076	8.4
1946.....	361,712,370	28.4
1945.....	281,602,454	16.4
1944.....	241,923,628	18.8
1943.....	203,718,739	...

PROFITS

Profit and Profit Trends:

The Company's Annual Report for the year ended January 31, 1947 stated: "The year 1947 should not be expected to produce new high profit records. However, existing and prospective levels of purchasing power, consumer demand, business activity and prices are such as to justify confidence that sales for the year will be at a relatively high level — high enough to permit an efficient operation to produce a satisfactory profit return on capital used."

Profits after federal taxes on income were \$13,623,284 for the year compared with \$18,378,752 for the preceding year, a decrease of \$4,755,468. On a per share basis, profits were equivalent to \$6.20 for each of the 2,073,907 shares outstanding at the close of the year which compares with \$8.52 for each of the 2,062,722 shares outstanding at the close of the preceding year. The following tabulation shows profits before provision for federal taxes on income by quarters

and for the year for each of the past five years. Provision for such taxes for the year and profits after such provisions are also shown:

	1943	1944	1945	1946	1947
First quarter	\$ 4,935,056	\$ 5,091,297	\$ 7,251,009	\$ 8,660,830	\$ 3,817,404
Second quarter	3,727,905	4,317,520	5,094,794	6,696,300	2,348,299
Third quarter	5,477,413	6,920,818	7,269,694	9,028,888	7,405,798
Fourth quarter	5,410,229*	7,000,772*	7,854,904	6,517,734	7,225,962
Total year	19,550,603	23,330,407	27,470,401	30,903,752	20,797,463
Federal taxes					
on income	12,700,000	16,100,000	19,100,000	12,525,000	7,174,179**
Consolidated					
net profit	\$ 6,850,603	\$ 7,230,407	\$ 8,370,401	\$18,378,752	\$13,623,284

* After deducting losses on the sale of real estate of \$1,313,501 in 1943 and \$2,463,526 in 1944.

** After deducting \$2,190,821 for claimable refunds and adjustments to prior years' taxes.

Merchandise Margin:

Gross margin percentage on merchandise sold in the year, 30.6%, was 1.7 percentage points less than for the preceding year and 3.9 percentage points less than for the year ended January 31, 1946. The year's 30.6% compares with an average of 34.3% for the five prewar years, 1937-1941, inclusive. The Company's opportunity for profit improvement from this source is substantial.

The first half of 1947 was a period of readjustment in many consumer goods industries. The heavy markdown losses of this period had a detrimental effect on the Company's margin. The comparison of profits by quarters shows that it is in the first two quarters that the most unfavorable comparisons are reflected. Margin on merchandise sold in the year was also reduced through a substantial addition to the provisions to reflect the "Lifo" principle of inventory valuations. Such provisions amounted to \$3,363,692 at the beginning of the year and \$5,474,768 at its close, an increase of \$2,111,076.

Operating Expenses:

With an increase in sales for the year of \$30,486,706, operating expenses increased \$12,976,286. This resulted in an increase in the percentage of operating expenses to sales for the year of 1.4 percentage points or from 23.9% to 25.3%. Of the somewhat over ten million dollar decline in profits before provision for federal taxes for the year,

over one-half is attributable to the increase in the Company's expense ratio. With rapidly expanding sales volume throughout the war years, operating expense ratios declined rapidly. This favorable downward trend has reverted upward. Preventing, or at least retarding, this reversal of trend constitutes one of the greatest problems and one of the greatest competitive opportunities in postwar retailing.

Of the almost thirteen million dollar increase in operating expenses, six hundred and thirty-five thousand represented an increase in provision for depreciation of physical assets and five hundred eighty-two thousand represented increases in maintenance and repair costs. These increases reflect costs resulting from plant modernization and expansion. Further increases in this type of expense may be expected as the necessary modernization programs deferred during the war period are effected and as provision is made for the Company's further growth.

The largest single factor contributing to the increase in total operating expenses for the year was that of compensation of employees. Wages and commissions increased \$8,176,928 while executive salaries and bonuses declined \$1,220,828, resulting in a net increase in total compensation of \$6,956,100. The continuing upward trend of hourly wages and the rigidity of present wage structures, represent management's principal challenge in its effort to maintain favorable expense and profit ratios. In a probable future period of price level declines, the profit hazard of these wage factors will be material.

Disposition of Profits:

The Company's Common Stock dividend was maintained on a seventy-five cent quarterly basis throughout the year. Five quarterly dividends were declared on the Company's Preferred Stock and charged to surplus within the year. The last of these Preferred Stock dividend declarations was not paid until after the close of the year and therefore appears on the Company's year end balance sheet as a liability. Of the Consolidated Net Profit of the Company for the year of \$13,623,284, dividend declarations on the Company's Common Stock amounted to \$6,196,555 and such declarations on the Preferred Stock totalled \$964,000. The balance, \$6,462,729, was retained by the Company as an addition to capital and was credited

to earned surplus. Dividends actually paid during the year to the holders of the Company's Common and Preferred Stocks represented 51.2% of Consolidated Net Profit of the period.

WORKING CAPITAL

Cash at the close of the year of \$15,009,775 compares with \$10,607,766 at the beginning of the year. The year end ratio of current assets, \$117,049,292, to current liabilities, \$36,203,151, was 3.2 to 1. This compares with 2.8 to 1 at the beginning of the year.

Net current assets — current assets minus current liabilities — increased from \$64,913,564 at the beginning of the year to \$80,846,141 at its close, a net gain for the year of \$15,932,577. Principal factors affecting this comparison were the creation of \$25,000,000 funded debt during the year plus the retention of earnings of \$6,462,729, offset in part by an increase in investment in land, buildings and equipment of \$13,779,931. This funded debt and the general subject of fixed assets are each discussed later in this report. Net current assets at the close of each of the last five years and the percentage of such assets to the sales volume of the year follow:

	Net Current Assets	% To Sales
1947.....	\$80,846,141	20.6
1946.....	64,913,564	17.9
1945.....	48,596,265	17.3
1944.....	46,447,248	19.2
1943.....	42,067,797	20.6

Accounts Receivable:

Customers' accounts receivable (net) at the close of the year, \$44,640,428, were \$8,702,842 greater than at the beginning of the year. This increase was composed of increases in current accounts, \$2,871,055, and in deferred payment accounts, \$6,414,186, less an increase in the reserve for possible losses in collection, \$582,399.

The increase in customers' current accounts was 10.0% which compares with the increase in total sales for the period of 8.4%. Deferred payment accounts, however, increased 76.5% in the year. Reports of earlier years have pointed out that there would be a requirement for additional working capital to finance deferred pay-

ment accounts as government controls on this type of credit were withdrawn and as the supply of types of merchandise usually sold on a deferred payment basis increased. Historic percentage relationships between the deferred payment account investment and annual sales volume have not yet been attained. Required investment in deferred payment accounts continues to increase more rapidly than sales volume. This will probably be the case for at least two more years.

Inventories:

Merchandise inventories at the close of the year, \$52,830,083, were \$227,951 less than at the beginning of the year. This represented an 84 day supply based on expected sales of the following period. Outstanding orders for merchandise purchases at the close of the year, \$23,400,000, were a quarter of a million dollars greater than at the beginning of the year. The total of inventories and commitments at the close of the year was approximately the same as at its beginning and represented 114 days supply based on estimated sales of the following period.

Of all inventories in the stores at the close of the year, 97.6% was less than one year old. This compares with 99.0%, 98.8%, 95.3% and 97.0% on January 31, 1947, 1946, 1945 and 1944, respectively. As staple types of merchandise become more readily available and as it becomes possible to maintain more complete assortments of such merchandise, the highly liquid inventory position reflected by the foregoing figures may not be possible or desirable. The Company's policy, however, will continue to place great emphasis on the liquidity of its merchandise inventories. Items, lines or classifications of merchandise not wanted by customers do not constitute a sound investment of the Company's funds and will be disposed of as soon as identified.

Merchandise inventories generally were valued net of all discounts. Inventories in the stores were valued at the lower of cost or market as reflected by the retail inventory method, and, as has been the case since January 31, 1942, by applying the "last-in, first-out" principle for certain inventories. As a result of the application of this principle, the Company carries a part of its investment in

inventories at price levels prevailing at January 31, 1941 and other parts at prices prevailing at the close of subsequent years.

Applicable prevailing price levels at the close of each year, for the application of the "last-in, first-out" principle, have been determined on the basis of price indices established by the United States Department of Labor. Their use has been approved by the Tax Court and the United States Treasury Department. These approvals, obtained during the year, required the adoption of certain Bureau of Labor Statistics indices in the application of the "last-in, first-out" principle of inventory valuation rather than the indices previously used which had been prepared by the National Industrial Conference Board.

Inventories at the beginning of the year were valued \$3,363,692 less than they would have been had the "last-in, first-out" principle not been used. Inventories at the close of the year would have been valued \$5,474,768 greater and consolidated profit before provision for federal taxes on income would have been \$2,111,076 more for the year had the Company not been using the "last-in, first-out" principle of inventory valuation. Of this \$2,111,076 increase, \$1,606,692 reflects increases in price indices during the year and \$504,384 represents changes necessary to adjust the "last-in, first-out" computations of prior years to reflect United States Treasury Department and Tax Court decisions of the year.

LAND, BUILDINGS AND EQUIPMENT

The Company's investment in fixed assets consisting of land, buildings, equipment, improvements to leased property and fixtures at the beginning of the year was \$19,105,161. Net additions for the year were \$13,779,931 in excess of the \$1,831,546 depreciation taken in the year. Of these net additions, \$1,181,110 was for land, \$1,547,634 for buildings and equipment, \$4,860,362 for store fixtures and equipment, \$5,322,950 for improvements to leased property and \$867,875 represented an increase in expenditures made on improvements that were still in process at the close of the year. Such improvement costs, when the work has been completed, will be divided between buildings, improvements to leased property and fixtures and equipment. In addition to depreciation of \$1,831,546, expenses for the year were charged with \$3,056,780 representing expenditures for

maintenance and repair of plant and equipment. Physical plant expansion and modernization is the subject of a special section of this report.

RESERVES

The \$500,000 reserve for contingencies shown on the Company's balance sheet is a general provision without relation to any particular contingency and as such in the nature of an appropriated surplus. Miscellaneous reserves, \$2,106,153, represent provision for such factors as specific retirement provisions, possible future tax assessments, self-insurance and sundry items which, while somewhat general in nature and not subject to definite measurement, may be payable, at least in part, at some future time.

FUNDED DEBT, CAPITAL STOCKS AND SURPLUS

Long term capital was increased \$31,201,436 in the year. The creation of a funded debt in the form of a long term note issue sold to insurance companies contributed \$25,000,000 of this increase. The issuance of 11,185 additional shares of Common Stock in the acquisition of a new subsidiary resulted in increases in the Common Stock and Capital Surplus of \$361,218. Retained earnings — profits for the year in excess of dividend payments — accounted for \$6,462,729 of the increase in the capital accounts. There were also adjustments to Capital Surplus resulting in total credits of \$37,489. Offsetting these increases, in part, was the purchase of \$660,000 par value of the Company's Preferred Stock. Special sections of this report deal with the subjects of Funded Debt and the Company's Capital Stocks.

CONCLUSION

1947 was a year in which sales increased in dollar amount but declined in terms of units or physical volume. Margin percentages were substantially below normal in the first half of the year due to price adjustments and the necessity of balancing inventories to meet new conditions prevailing in the fields of production and consumption. Expenses were higher throughout the year, due principally to upward wage adjustments and higher plant depreciation and maintenance charges. Consequently, the Company's profit declined although dollar volume increased.

Subsequent to the close of the year, the Company's sales trend has shown about the same rate of increase as for the year under review. This sales increase continues to result from higher price levels. Physical volume or the number of merchandise units sold continues to show a decline. Margin on merchandise sold shows some improvement over the very unfavorable record of the spring season of 1947. Costs of doing business continue to rise. As a net result of the foregoing influencing factors, the early months of 1948 show some profit improvement over the comparable months of 1947.

There is a reasonable balance between supply and demand in most lines of merchandise. Price levels, consumer demand and purchasing power continue at high levels. There are no apparent indications of any substantial reversal of these favorable factors. Management looks forward to the balance of the current year with confidence that the Company will continue to produce a satisfactory return on its stockholders' investment.

Respectfully submitted,



President.

With profound sorrow, we report the death on November 14, 1947, of Mr. George W. Mitton, a director of the Company since its inception. Mr. Mitton was elected a director of the Company and the first Chairman of its Board of Directors on January 7, 1929. He resigned as Chairman on July 21, 1931 but continued as a director of the Company until his death.

Mr. George W. Mitton commenced his career in retailing in 1887 by entering the employ of Jordan Marsh Company. He was elected President of Jordan Marsh Company in 1916 and held that office until 1930 when he became Chairman of its Board of Directors, which position he held until his death.

In Review:

The year 1947 was one of conflicting and rapidly changing forces and trends in the field of merchandise supply and prices. However, a relatively high consumer demand and purchasing power continued consistently throughout the year. In the early months of the year, there was an over supply of many lines of merchandise. This was particularly true of textiles and related products. There was also the necessity for retail stores to adjust their inventories to a better balance with postwar consumer demand. General beliefs or fears that 1947 would bring about postwar general economic adjustments of a major nature and, therefore, affect purchasing power, represented a strong psychological influence throughout the first half of the year.

Downward revisions of prices, inventory liquidations and substantial mark-down and clearance losses were general throughout retailing in the early months of 1947. With the decreased amount of purchasing by the retailer, production was reduced. In part, the decrease in retailers' purchases in the first half of the year represented a deferment of order placement. As the high level of consumer demand was maintained the retailer went back into the market with substantial requirements. Export demand also resulted in purchases of large quantities of consumer merchandise in the second and third quarters of 1947. Prices stiffened and then increased.

Current Position:

The upward trend of prices continues. While there is a reasonably adequate supply of most lines of merchandise, there are a few instances of excess supply, principally in the field of finished or made up consumer goods. Historically, over-supply at these points is soon liquidated if consumer demand does not diminish, and if there are no excess supplies or deterioration in price levels in the basic material markets. There is little, if any, evidence of over supplies of basic materials overhanging the markets. Such supplies as do exist are being firmly held for current or higher prices. While, in general, supplies are adequate to meet demand and required delivery dates are short, there are no significant signs of major distress selling or of drastic price liquidation.

Outlook:

Strikes — those that have occurred or those that appear to be in the offing — result in decreased production and, therefore, a reduced supply of merchandise and materials. Over-inflated farm commodity prices have passed through a fairly drastic adjustment period. The government's military program will increase the demand for many products and materials. The general economic activity of the country should receive stimulation from the European Recovery Program and armament activities.

Recent revisions of federal taxes on personal incomes will have the effect of increasing consumer spendable income.

Supply and demand relationships, price levels, employment, wage rates and purchasing power seem reasonably secure for the remainder of the current year. It does not seem probable at this time that 1948 will be the year when large surpluses of manufactured goods accumulate or major postwar downward adjustments occur.

It rather appears that sales volume in the consumer goods industries will continue at near present high levels or perhaps increase slightly. Margins on merchandise sold should compare favorably with those of 1947 due to the general subnormal performances of that period. Unfavorable events in the field of international relations might change this satisfactory outlook. Such possible events or their probable effects on the consumer goods industries are, of course, unpredictable. The possibilities of their occurrence, however, cannot be overlooked or their possible effects discounted. These possibilities, together with the highly inflated nature of the present economy dictate a note of conservatism in the general approach to the merchandising problems of 1948.

THE COMPANY'S PERSONNEL

It is the cornerstone of the Company's policies that satisfactory growth and progress of the Company can only be achieved through the development and progress of its people. Extensive training programs are carried on consistently and at all levels in order to improve the individual's effectiveness in his present job and to prepare him for a position of greater responsibility and earning power.

In addition to the personnel and training staffs in each of the larger stores, the central office of the Company maintains a highly specialized staff to aid, guide, coordinate and direct in personnel and training work throughout the Company. A committee composed of some of the Company's best general executives and of the most outstanding specialized personnel executives in the stores and the central office is charged with the responsibility of formulating, supervising and sponsoring within the entire organization the most advanced policies and practices in the field of personnel and training at the executive, junior executive and rank and file levels.

Executive turnover in the organization is quite low. Vacancies that do occur are usually filled by promotion either from within the organization in which the vacancy occurs or by transfer from within the Company. Advantages of filling executive positions by promotion are great and risks are minimized. The necessity for long periods of training in policies and procedures is obviated. Promotions also have the effect of inspiring fellow workers to endeavor to achieve recognition also. When executive positions are vacant for which there are no qualified candidates available within the Company, experienced executives having the required qualities and experience are brought into the organization. Such additions of experienced executives from outside the Company ranks afford a measure of protection against an "inbreeding" of ideas that might eventually prove harmful.

Of the Company's ten chief general executives, all but two achieved that rank by promotion from the stores or from within the central office. The chief executive position in the individual stores bears the title of Managing Director. Present managing directors of eleven of the twelve largest units of the Company secured their present position by promotion. One was the chief executive of the store when it was acquired in 1929. Of the forty managing directorships in the Company (branch stores do not use this title) one is now vacant, six have been filled by the employment of executives from outside the Company, seven were holding their present position when the store was acquired by the Company, and twenty-six have obtained their present rank by promotion.

Top management of the Company and of each of its units is on a profit sharing basis. A substantial majority of all other executives have compensation plans based on the profits or progress of their respective departments or divisions. In addition,

incentive compensation plans are used for the individual wherever such plans are feasible. The Company conducts a review of its entire personnel semi-annually. The purposes of such reviews are to discover weaknesses in the individual's performance so as to formulate plans of correction, to assure that a just compensation is being paid to each in relation to the requirements of the position and the character of work performed by the individual and to make sure that no one of unusual talent goes unrecognized.

Each person with three years of continuous service with the Company is given a life insurance policy, the premium for which is paid by the Company. The face amount of the policy varies with the rank of the position held and the individual's earnings with a maximum of \$20,000 per individual. The Company also bears the cost of a retirement plan which supplements federal social security payments and is applicable to the individual's earnings above the three thousand dollar annual earnings which is the ceiling under the federal government sponsored plan. The maximum retirement compensation under this plan is \$10,000 per annum. The Company's plan is carried out through a policy or contract with a life insurance company.

The Company maintains a very active interest in the welfare of the people who work for it, particularly in respect to the individual's opportunity for reasonable security, growth and progress. These people, therefore, have a vital interest in the Company's growth and development. This mutuality of interest between the Company and the individual is the basic keynote of all of the Company's relations with its people. A large majority of the Company's thirty-one thousand five hundred employees look directly to the Company for adequate wages, desirable working conditions and opportunity for individual training, growth and development. The Company recognizes its responsibility in these respects. Consequently, the Company's employee relations constitute an almost uninterrupted history of mutual endeavors, mutual agreements, and mutual benefits.

Alstores Realty Corporation:

Alstores Realty Corporation, a Delaware corporation, was organized during the year as a wholly-owned subsidiary of the Company with an initial paid in capital of \$250,000. It is contemplated that Alstores Realty Corporation will acquire real estate from time to time from the Company, its subsidiaries, and others. It is expected that Alstores Realty Corporation will confine its activities to the ownership of properties for which the Company or one or more of its subsidiaries have an immediate or probable future need. Such properties will be leased to the Company or the subsidiary having such need — usually on a long term lease.

Real estate purchases made by Alstores Realty Corporation will be financed to a substantial degree by placing mortgages or mortgage bonds with lending institutions such as insurance companies. It may borrow money from time to time from banks on its own notes. It is expected that Allied Stores Corporation, its parent company, will provide additional funds as required through the purchase of additional stock, through loans evidenced by notes or through advances on open account. It is now expected that Alstores Realty Corporation will always be a wholly owned subsidiary of Allied Stores Corporation.

It is planned not to consolidate the balance sheet and operating statements of Alstores Realty Corporation with those of Allied Stores Corporation and its other subsidiaries but to include the balance sheet and operating statement of Alstores Realty Corporation as separate exhibits in the annual report of Allied Stores Corporation. Allied Stores Corporation will show its investments in stocks, notes or accounts of Alstores Realty Corporation on its consolidated balance sheet as "Investment in Subsidiary Company — Not Consolidated". The \$757,775 so shown on the accompanying consolidated balance sheet represents the Company's original investment of \$250,000 in the Capital Stock of Alstores Realty Corporation and \$507,775 subsequently advanced to it.

Alstores Realty Corporation qualifies as an unrestricted subsidiary under the terms of the Company's funded debt provisions. As an unrestricted subsidiary, the financial operations of Alstores Realty Corporation are independent of the Company's funded debt provisions. This subject is discussed in detail in another section of this report under the caption "Funded Debt".

Alstores Realty Corporation purchased for cash in November, 1947 the land, store building and annex located at the corner of Thirteenth Street and Euclid Avenue, Cleveland and known as the old Higbee property. It financed this purchase by using its own capital, placing a two and one-half million dollar mortgage bond issue with an insurance company and by securing an open account advance from

Allied Stores Corporation. Alstores Realty Corporation will modernize the buildings now on this property at an estimated cost of one million dollars. When this work is completed, the insurance company will increase its loan sufficiently to absorb a substantial part of this cost. Alstores Realty Corporation has leased this real estate to the Lindner Company, a newly acquired operating subsidiary which operates a retail store in the city of Cleveland. Rentals under the lease are adequate to pay interest and amortization on the loan secured by the property.

The Lindner Company:

The Company, through a newly organized subsidiary, the Lindner Company, acquired for cash, at certified balance sheet net values, all of the assets, name and good will and assumed certain stated liabilities of a company operating a high grade women's apparel store on upper Euclid Avenue, Cleveland under the name of the Lindner Coy. The lease on the premises presently occupied by the Lindner Company expires August 31, 1949.

The W. B. Davis Company:

Following the acquisition of the Lindner Coy, discussed in the foregoing paragraph, the Company contracted to acquire the assets, name and good will and assume stated liabilities of a corporation known as The W. B. Davis Company, which has long operated a quality men's clothing store on lower Euclid Avenue, Cleveland. Payment for the net assets so acquired was made by issuing eleven thousand one hundred eighty-five shares of the Company's Common Stock. The difference between the certified balance sheet value of the net assets acquired and the one dollar per share stated value at which all of the Company's Common Stock is carried on its balance sheet, \$350,033, was credited to Capital Surplus of the Company. Assets of The W. B. Davis Company were transferred to the Lindner Company in exchange for additional shares of the capital stock of that company. The lease on the premises occupied by The W. B. Davis Company also expires August 31, 1949.

The New Cleveland Store:

Upon completion of the modernization work and refixturing of the Thirteenth Street and Euclid Avenue property owned by Alstores Realty Corporation and prior to the expiration of the leases on the properties now occupied by the Lindner Company and The W. B. Davis Company businesses, the high grade women's and children's business of the Lindner Coy and the quality clothing business of The W. B. Davis Company will be moved to Thirteenth Street and Euclid Avenue. A high quality home furnishings and decorating business and a home appliance division will be added to round out a complete department store. It is believed that such a high quality

store in this location will be appreciated and liberally patronized by the people of Cleveland. It is further believed that the Company will profit by rendering this service.

Herpolsheimer-Muskegon:

Early in 1946, the leading department store in Muskegon, Michigan, the Wm. D. Hardy & Company, was destroyed by fire. Soon thereafter the Company, through its subsidiary, the Herpolsheimer Company, Grand Rapids, Michigan, began negotiation to acquire the remaining assets, name, good will and building site lease of the Wm. D. Hardy & Company. Herpolsheimer's also acquired a lease on an existing small building adjoining the Hardy site. In the year 1947, a relatively small apparel and dry goods store was opened in this building under the name of Herpolsheimer's of Muskegon.

A deal was consummated in 1947 with the Hardy interests whereby the remaining working assets (other than cash), name and good will of the Wm. D. Hardy & Company became the property of Herpolsheimer Company. In addition, the Hardy interests agreed to erect a building on the site formerly occupied by the building that was destroyed by fire in 1946 and some adjoining property owned by these same interests. This building, when completed, will be leased to Herpolsheimer's on a basis of a stated minimum rent against a reasonable percentage of the sales obtained in the demised premises.

When the new building is finished, the apparel and dry goods store will be expanded into a complete department store, occupying the combined premises. Muskegon and surrounding area is a rapidly growing community. The area is badly in need of additional retail facilities and services. Herpolsheimer of Grand Rapids is the dominant store of western Michigan and, as such, holds a strong position in the respect and good will of the people in the Muskegon area. An efficiently operated department store under the name Herpolsheimer of Muskegon will be of great service to the community and holds forth every promise of becoming a profitable investment for the Company.

Metzger-Wright Company, Warren, Pa.

Subsequent to the close of the year, the A. E. Troutman Company, a subsidiary operating six stores in western Pennsylvania with headquarters in Greensburg, Pa., acquired the Metzger-Wright Company of Warren, Pa., a corporation owning and operating a junior department store in that city. This company was acquired for cash at values reflected by its certified balance sheet. The acquired corporation owns the premises which the store occupies. This store is the dominant store in the area served by the retail center of the city of Warren. Its character, reputation and consumer acceptance, as well as its geographical location, make it a logical member of the A. E. Troutman Company group.

PHYSICAL PLANT EXPANSION AND MODERNIZATION

The Company's report for 1946 discussed under this caption a number of physical plant construction and rehabilitation programs. Some of these had been completed, others were in process, and still others were in the planning stage. In the following paragraphs those programs which were not substantially completed in the year 1946 and those launched in 1947 are commented on briefly:

GERTZ — JAMAICA

The construction of the new building adding 130% to the store area, some modernization of the old building, and a new fixturing job were completed in 1947. A substantial part of the cost of the new building was borne by the landlord. A part of the building cost and all of the fixturing costs were borne by the store. As a result, this store's investment in fixed assets increased over two and one-half million dollars in the year. The sales trend of this store for 1947 and subsequently has well justified this expansion activity.

DONALDSON — MINNEAPOLIS

A part of the program of modernizing this plant was completed in 1946. Much work was done in 1947, the store having spent approximately nine hundred thousand dollars for fixed assets in the year. The entire program contemplated has not been completed. There will be additional expenditures for this purpose of approximately one and three quarter million dollars in subsequent periods.

POLSKY — AKRON

The expansion and improvement program for this store was completed in 1947. The costs were all borne by the store. Additions to fixed assets for the year amounted to slightly less than one and a quarter million dollars.

ROLLMAN — CINCINNATI

The Annex addition to this store was completed in 1947, together with a major refixturing job. Approximately three quarters of a million dollars was spent in the year in the completion of this work.

BON MARCHE — SPOKANE

The Company's report for 1946 stated that a subsidiary, C. C. Anderson Stores Company, was modernizing a building in Spokane and expected to open a branch store there in 1947. It was decided to enlarge this program and make the Spokane unit a direct branch of Allied Stores Corporation. The Company spent approximately one and a half million dollars in modernizing, equipping and fixturing this store. It was opened in the second half of the year.

This was a planned project at the beginning of the year. It was substantially completed at its close. A picture of the new building appears on the inside of the back cover of this report. The building has a gross floor area of 171,000 square feet. It is equipped with the most advanced air-conditioning and escalators. The fixtures and lighting are as modern and beautiful as the building. The overall costs of this project will be in the neighborhood of three million dollars. Not all of these costs were incurred prior to the close of the year and, therefore, are not fully reflected on the accompanying balance sheet. The balance will be reported as an expenditure of 1948.

GOLDEN RULE — ST. PAUL

The vertical transportation system in the building was modernized as planned. A major electrical equipment and wiring replacement job was also necessary. These, together with other improvement activities, resulted in an expenditure for fixed assets by this store of almost one-half million dollars in 1947.

HERPOLSHEIMER'S — MUSKEGON

The Herpolsheimer Company of Grand Rapids leased a building and opened a branch store in Muskegon during the year as discussed elsewhere in this report under the caption "Acquisitions". Expenditures for leasehold improvements and for fixtures and equipment in 1947 in connection with this branch approximated three hundred thousand dollars.

JOSKE — HOUSTON

The Foley department store of Houston, Texas moved into a newly constructed building in 1947. Joske Bros. Co., San Antonio, obtained a lease on the vacated premises. Modernization and fixturing of this plant at an estimated cost of one million dollars is now in process. A new store specializing largely in home decorations and furnishings will be opened during the current year under the name, Joske's of Houston. Houston is one of the most rapidly developing cities in the country. It is believed that a store such as that planned for Joske's will fill a natural need in the development and growth of this very dynamic area. Filling such a need should prove to be a useful and profitable endeavor for the Company.

HERPOLSHEIMER'S — GRAND RAPIDS

The Company's 1946 report stated that land was being acquired as a location for a building for this store. This land and some nearby buildings, suitable for store warehouse purposes, were acquired in the year at a cost of approximately one million dollars. The new building will cost slightly over three million dollars. It will cost somewhat less than one million dollars to fixture and equip the new store. The carrying charges on the new store, including full financing charges on the investment, will be less than the Company has been paying for the occupancy of an inadequate and obsolete plant. Construction of this new plant is now in process. It will be completed and occupied prior to mid year 1949.

JORDAN MARSH — BOSTON

The Company's report for 1946 discussed this program in some detail. The year 1947 was spent in planning work. The construction contract for the first unit of this building was awarded subsequent to the close of the year. Demolition work is in process. This first unit will cost approximately four million dollars. A picture of this building as it is expected to look when completed is inside the front cover of this report.

JORDAN MARSH — BRANCHES

Arrangements have been made for this store to participate in the development of two regional shopping centers in the general Boston area. The buildings will be erected by others and leased to the store on a basis of modest fixed minimum rents against a reasonable percentage of sales. The Company will fixture and equip the units. The costs of such fixtures and equipment will be about six hundred thousand dollars per unit.

MEYER'S — GREENSBORO

This subject was covered in the Company's report for 1946. Construction did not get under way in 1947. It is now in process and should be completed within the current year at a cost of approximately one and one quarter million dollars. As a result of modification of a lease bearing a percentage of sales feature, part of the carrying costs of this new building will be borne by the present landlord if sales volume is not increased substantially.

MULLER — LAKE CHARLES

This program was discussed in the Company's 1946 report but work did not get under way in 1947. It is expected that the work will be started in 1948. A substantial part of the costs of this program will be paid for by the landlord.

JOSKE'S — SAN ANTONIO

The Company's 1946 report commented on contemplated future expansion of this store. While planning work has progressed, no construction work was started in 1947. It is not expected that construction work will be started in 1948.

TITCHE-GOETTINGER — DALLAS

Land adjoining the site of this store has been acquired by lease and by purchase. A substantial addition to this store is contemplated. Much of the property recently acquired is subject to leases of reasonably short duration. Construction work cannot be started prior to 1950, however, due to these leases.

LINDNER COMPANY — CLEVELAND

This store is discussed in a special section under the caption "Acquisitions" and plans for the store are outlined. While building and building improvements will be furnished by Alstores Realty Corporation, fixtures and equipment will be furnished by Lindner Company. These will cost approximately one and a quarter million dollars.

Financing of Construction and Improvement Work:

The Company's 1946 annual report stated that it is impractical to set forth long in advance just how each individual construction program will be financed. Decision can be made better at the time by selecting the most advantageous plan available under the circumstances. Occasionally, improvements to leased property can be obtained through renegotiation of the landlord's lease. In other instances, investors can be found to take over the ownership of improved property. The use of real estate or leasehold mortgages is frequently a practical means of securing such needed financing. It is expected that the newly organized subsidiary, Alstores Realty Corporation, will be used as a vehicle in the financing of some of the Company's present investment in land, buildings and improvements as well as for future plant expansion activities. Alstores, in turn, will be financed by limited equity investments by the Company and through the issuance of its own mortgages, bonds or notes.

It has long been the policy of the Company to keep the amount of its own funds invested in fixed asset or property accounts on a conservative basis. This is best shown by reference to the ten year comparative balance sheet included as part of this report. This policy will be continued in order to maintain the Company's finances in a relatively liquid position.

THE COMPANY'S FUNDED DEBT

On December 31, 1947 the Company sold \$25,000,000 of its 3½% notes due December 31, 1967 to two life insurance companies at face amounts. The funds received were used to redeem bank loans outstanding at the time, reimburse the Company's treasury for funds expended during the year for fixed asset additions and improvements, and provide additional working capital. The transaction was negotiated by Lehman Brothers, bankers, who were paid a fee of \$93,750 for their services. Legal and other expenses incidental to the transaction amounted to \$12,572.

Sinking Fund and Call Premium:

The notes provide for a sinking fund that will amortize 78% of the face amount prior to maturity. Annual sinking fund requirements are on a graduated basis and provide for payments on principal of \$750,000 in each of the years 1949 through 1956; \$1,000,000 in each of the years 1957 through 1960; \$1,250,000 in each of the years 1961 through 1964; and \$1,500,000 in each of the years 1965 through 1967.

The Company may prepay all or any part of the notes subsequent to 1964 without penalty. Prepayments may be made at any earlier date upon payment of stated premiums. These premiums decline progressively starting with 3% for the years 1948 through 1950 and reaching .2% in 1964. Prepayments of \$1,000,000 face amount, however, may be made by the Company at its option on any February first without premium penalty.

Additional Borrowing:

The restrictive covenants contained in the notes permit the creation of additional funded debt by the Company at any time if, after such debt has been created, the net current assets of the Company and its restricted subsidiaries are equal to 250%, and their net tangible assets before deducting their funded debt are equal to 300%, of their total funded debt then outstanding (investments in non-restricted subsidiaries not being included as assets in computing such percentage coverages). Under these restrictions the Company was free to incur additional funded debt at January 31, 1948 of approximately twelve and one quarter million dollars.

In addition, the notes also permit restricted subsidiaries to incur funded debt in connection with the acquisition of real property after December 31, 1947 up to an aggregate of ten million dollars at any one time outstanding, but not in excess of 75% of the cost or value of the property; but any funded debt so created must thereafter be included by the Company in computing the additional amount of funded debt which may be incurred under the percentages mentioned in the above paragraph.

Non-Restricted Subsidiaries:

The note issue contains a provision that Alstores Realty Corporation, a subsidiary organized in November, 1947, for the purpose of owning real estate, (discussed herein under the caption "Acquisitions") is a non-restricted subsidiary. It is also

provided that upon advance declaration of the Board of Directors of the Company, any subsidiary organized or acquired hereafter that is not a successor of any restricted subsidiary existing on December 31, 1947, may be a non-restricted subsidiary. All non-restricted subsidiaries may incur debt without regard to the net asset and net current asset coverages of 300% and 250% mentioned above.

The only restriction with respect to non-restricted subsidiaries consists of a limitation on the amount of funds that may be invested in such non-restricted subsidiaries. The effect of the restriction on the amount of funds of the Company and its restricted subsidiaries that may be invested in non-restricted subsidiaries is that if funds cannot be paid out as dividends on the Company's Common Stock, they cannot be so invested. As noted above, funds so invested must be omitted as assets in computing the percentage coverages mentioned.

The two most probable uses of the unrestricted borrowing power of non-restricted subsidiaries are real estate companies and finance or discount companies for the financing of customer accounts. These provisions would also permit the Company to invest some of its free funds in a majority holding of the equity stock of a heavily capitalized company if, in the opinion of the Board of Directors of the Company, such an investment would be beneficial to the Company.

Dividend Restrictions:

As is customary in connection with funded debt, there are provisions in the notes concerning the subject of dividends. There are no restrictions applicable to dividend payments on the Company's Preferred Stock now outstanding or authorized. Dividends may be declared and paid on the Company's Common Stock at the discretion of the Board of Directors unless immediately thereafter net current assets and net tangible assets as described above are less than 250% and 300%, respectively, of the total amount of funded debt described above, or unless net tangible assets of the Company and its restricted subsidiaries after deducting their funded debt and investments in non-restricted subsidiaries, are less than \$75,000,000.

As of January 31, 1948 the excess over the 250% requirement was \$18,346,141; the excess over the 300% requirement was \$41,572,727, and the excess over the seventy-five million dollar requirement was \$16,572,727. Accordingly, as of that date, up to \$16,572,727 of the existing earned surplus could be paid as dividends on the Common Stock free from any restriction of the note issue.

From the above figures it is clear that the restrictive provisions of the notes on dividend payments on the Common Stock are not presently operative and that there would have to be a major change in the Company's financial condition before they would become operative.

THE COMPANY'S CAPITAL STOCKS

PREFERRED STOCK

The Company's charter was amended in 1945 to authorize the issuance of 300,000 shares of \$100 par value Cumulative Preferred Stock at such times and under such terms as the directors of the Company might decide. Coincidentally with the redemption of a previously authorized issue of the Company's Preferred Stock and a cancellation of the authorization of same, the Company issued, on September 19, 1945, 200,000 shares of this new stock bearing a 4% dividend rate. The annual sinking fund requirement on this stock is 2% of the greatest amount ever issued. This stock shares voting rights with the Common Stock on a share for share basis and may elect two directors if dividends are in default for six quarterly periods.

Of the 200,000 shares originally issued, 195,000 shares were outstanding at the beginning of the year, four thousand shares having been purchased and retired prior thereto to meet sinking fund requirements of 1946, and an additional 1,000 shares having been purchased and held in the treasury. During the year, 6,600 shares were purchased and 4,000 shares were retired to meet sinking fund requirements of 1947, leaving 3,600 shares in the treasury at the close of the year and available to meet future sinking fund requirements. Subsequent to the close of the year, 500 additional shares have been acquired. As a result of the cancellation and retirement of the 8,000 shares to meet the annual sinking fund requirements of the years 1946 and 1947, the original authorization of 300,000 shares had been reduced to 292,000 at the close of the year.

Ownership:

Excluding stock in the names of brokers and known nominees, on April 30, 1948, there were 1,872 holders of record of the Company's Preferred Stock. This compares with 2,451 one year earlier. The following summary shows the number of such holders classified by the number of shares held:

Holders of:		Holders of:	
1 to 10 shares	570	101 to 500 shares	115
11 to 25 "	545	501 to 1000 "	8
26 to 50 "	481	over 1000 "	15
51 to 100 "	138	Total	1872

Profits in Relation to Preferred Stock:

Consolidated net profits of the Company for each of the last five years expressed in terms of ratio to current Preferred Stock dividend requirements and of profit per share of Preferred Stock outstanding on January 31, 1948 follows:

	Preferred Stock Dividend Requirements Times Earned	Profit per Share of Preferred Stock
1947.....	18.1	\$72.31
1946.....	24.4	97.55
1945.....	11.1	44.43
1944.....	9.6	38.38
1943.....	9.1	36.36

Company Net Worth in Relation to Preferred Stock:

Net current assets — current assets minus current liabilities — at the close of each of the past five years, and net assets — total assets minus total liabilities and reserves — are expressed in terms of per share of Preferred Stock outstanding on January 31, 1948 in the following tabulation:

	Net Current Assets per Share of Preferred Stock	Net Assets per Share of Preferred Stock
1947	\$429.12	\$490.64
1946	344.55	457.72
1945	257.94	324.37
1944	246.54	306.04
1943	223.29	283.86

COMMON STOCK

There were 2,062,722 shares of the Company's Common Stock outstanding at the beginning of the year. The acquisition of the assets of the Wm. B. Davis Company, Cleveland on an exchange of stock basis resulted in the issuance of 11,185 shares of the Company's Common Stock. At the close of the year, there were outstanding 2,073,907 shares of the Company's Common Stock. Excluding stock in the names of brokers and known nominees, on April 30, 1948, there were 16,870 holders of the Company's Common Stock. This compares with 16,252 such holders one year earlier. The following summary shows the numbers of such holders of the Company's Common Stock classified by the number of shares held:

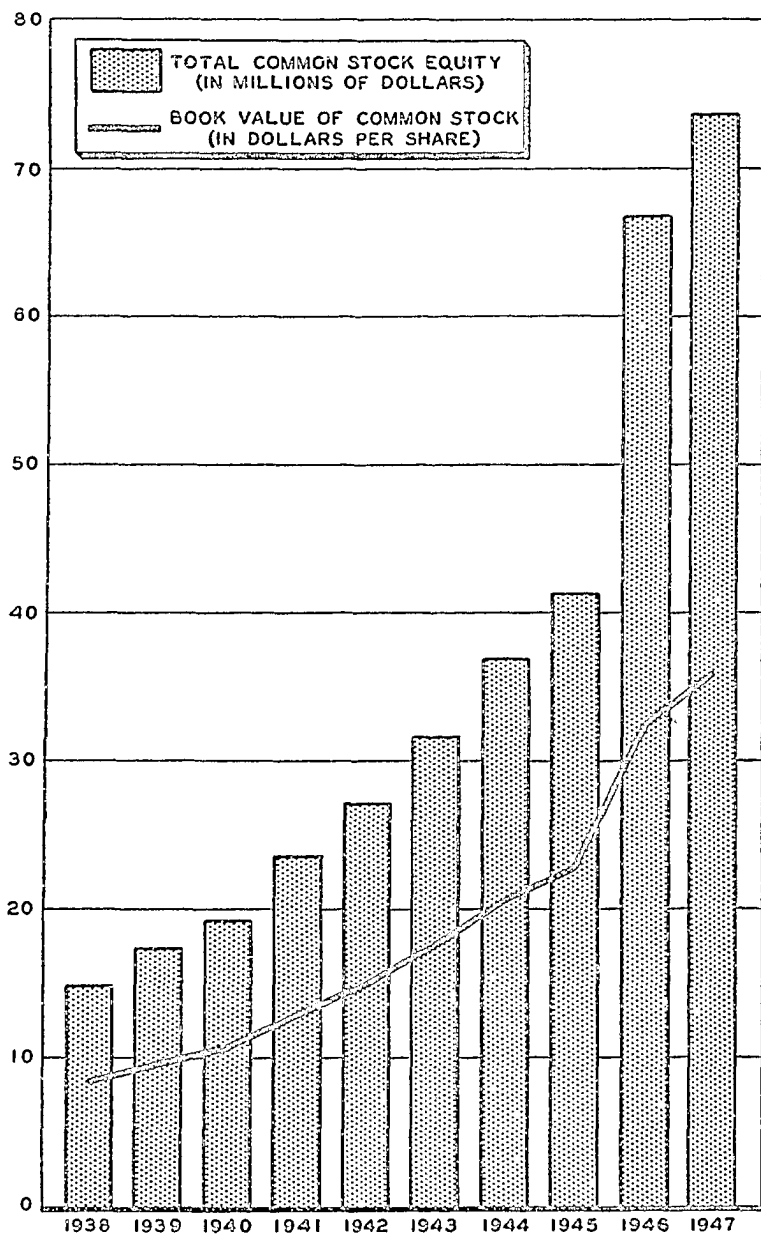
Holders of:		Holders of:	
1 to 25 shares	7,296	501 to 1000 shares	149
26 to 50 "	3,575	1001 to 5000 "	71
51 to 100 "	3,706	over 5000 "	17
101 to 500 "	2,056	Total	16,870

Profits and Asset Values:

Common Stock equity — total assets minus liabilities, reserves and Preferred Stock — is shown in total and in terms of per share of Common Stock outstanding at the close of each of the past ten years on a graph on page 28. Profits for the year, dividends paid in the year and Common Stock equity at the close of the year are shown on a per share basis for each of the past five years below:

	Profit per Share of Common Stock	Dividend per Share of Common Stock	Equity per Share of Common Stock
1947 . . .	\$6.20	\$3.00	\$35.49
1946 . . .	8.52	1.90	32.35
1945 . . .	4.05	1.45	22.78
1944	3.42	1.00	20.40
1943	3.17	.70	17.50

TOTAL COMMON STOCK EQUITY AND BOOK VALUE OF COMMON STOCK



ACCOUNTANTS' REPORT

BOARD OF DIRECTORS,
ALLIED STORES CORPORATION,
NEW YORK, NEW YORK.

We have examined the consolidated balance sheet of ALLIED STORES CORPORATION and subsidiaries consolidated as of January 31, 1948, and the consolidated statements of profit and loss and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of profit and loss and surplus present fairly the position of ALLIED STORES CORPORATION and its subsidiaries consolidated at January 31, 1948, and the consolidated results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST.

New York, N. Y.
May 11, 1948.

ALLIED STORES CORPORATION AND SUBSIDIARIES CONSOLIDATED

Consolidated Balance Sheet — January 31, 1948

ASSETS

Current Assets:

Cash		\$ 15,009,775
Accounts and notes receivable—customers:		
Current accounts	\$31,519,058	
Deferred payment accounts and notes	14,793,378	
	<u>\$46,312,436</u>	
Less reserve	1,672,008	44,640,428
Accounts receivable—suppliers and sundry debtors		1,604,646
Merchandise inventories (certain inventories based on last-in, first-out principle stated at \$5,474,768 less than under retail inventory method), including \$8,314,660 for merchandise in transit and advances on merchandise (Note A)		52,830,083
Claimable refunds of federal taxes on income of prior years—estimated		2,964,360
		<u>\$117,049,292</u>
Total current assets		

Other Assets:

Insurance and other deposits	\$ 365,108	
Investments, real estate and miscellaneous assets	925,661	
Sundry notes and accounts receivable	1,294,397	
	<u>2,585,166</u>	
Total other assets		2,585,166

Subsidiary Company — Not Consolidated:

Investment, at cost, and advances (Note B)	757,775
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Land, Buildings, Equipment, Etc. (Note C):

Land		\$ 4,499,471
Buildings and equipment	\$ 7,169,086	
Less reserves for depreciation	2,262,409	4,906,677
	<u>\$16,193,332</u>	
Store fixtures, equipment, etc.	4,801,184	11,392,148
Less reserves for depreciation		
Improvements to leased property	\$ 9,753,307	
Less reserves for depreciation	1,442,356	8,310,951
	<u>3,775,845</u>	
Building and other improvements in course of construction		
		<u>32,885,092</u>
Total land, buildings, equipment, etc.		32,885,092

Deferred Charges:

Unexpired insurance premiums	\$ 580,446	
Prepaid rent and taxes	345,763	
Inventories of supplies	1,694,804	
Other deferred charges and prepaid expenses	241,468	
Unamortized long-term note expense	105,659	
	<u>2,968,140</u>	
Total deferred charges		2,968,140

Goodwill and Other Intangible Assets

1

\$156,245,466

Notes to financial statements follow hereafter.

ALLIED STORES CORPORATION AND SUBSIDIARIES CONSOLIDATED

Consolidated Balance Sheet — January 31, 1948

LIABILITIES

Current Liabilities:

Accounts payable	\$ 16,918,868
Accrued accounts	5,231,502
Taxes (other than federal taxes on income)	3,704,761
Federal taxes on income—estimated (Note I)	10,159,620
Dividend payable March 1, 1948—preferred stock	188,400
Total current liabilities	\$ 36,203,151

3 1/8% Promissory Notes Payable Due 1967 (Note D)	25,000,000
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Reserves:

For contingencies	\$ 500,000	
Miscellaneous	2,106,153	
Total reserves		2,606,153

Capital Stock and Surplus:

Capital Stock:

Cumulative Preferred Stock—par value \$100 per share—issuable in one or more series:		
Authorized—292,000 shares		
Issued—192,000 shares—4% Cumulative Preferred Stock (Note E) . . .	\$19,200,000	
Less in treasury	360,000	\$18,840,000
Common Stock—without par value (Note F):		
Authorized—2,500,000 shares		
Issued—2,073,907 shares—capital fixed by Board of Directors at \$1.00 per share		2,073,907

Surplus:

Capital ..	\$22,858,451	
Earned (from June 1, 1935) (Notes F and G) ..	48,663,804	71,522,255
Total capital stock and surplus		92,436,162

Bank loans (Note H)

\$156,245,466

Notes to financial statements follow hereafter.

ALLIED STORES CORPORATION
AND SUBSIDIARIES CONSOLIDATED

*Consolidated Statement of Profit and Loss
for the Fiscal Year Ended January 31, 1948*

<i>Net Sales</i> (including leased departments)		\$392,199,076
<i>Cost of goods sold</i>		272,063,421
Gross margin ..		\$120,135,655
<i>Operating expenses:</i>		
Administrative, buying, rent and other occupancy costs, publicity, selling and general expenses, including provision for doubtful accounts (less carrying charges to customers on deferred payments accounts)	\$94,422,629	
Provision for depreciation	1,831,546	
Maintenance and repairs	3,056,780	99,310,955
Operating profit		\$ 20,824,700
<i>Other income</i>		578,812
		\$ 21,403,512
<i>Other deductions</i> (including interest of \$143,726)		606,049
Profit before federal taxes on income ..		\$ 20,797,463
<i>Provision for estimated federal taxes on income</i>	\$ 9,365,000	
Less claimable refunds under carry-back and other provisions of the Internal Revenue Code, and adjustments to prior years taxes (net)	2,190,821	7,174,179
<i>Consolidated net profit</i>		\$ 13,623,284

Notes to financial statements follow hereafter.

ALLIED STORES CORPORATION
AND SUBSIDIARIES CONSOLIDATED

*Consolidated Statement of Earned and Capital Surplus
for the Fiscal Year Ended January 31, 1948*

	<u>Earned</u>	<u>Capital</u>
<i>Balance — January 31, 1947</i>	\$42,201,075	\$22,470,929
<i>Add:</i>		
Consolidated net profit	13,623,284	
Discount on repurchase of 4% Cumulative Preferred Stock		15,821
Cancellation of balance of reserve on books of subsidiary at date of acquisition		21,668
Excess of tangible net assets acquired in consideration of the issuance of 11,185 shares of Common Stock, over amount of \$1.00 per share fixed as capital		350,033
	<u>\$55,824,359</u>	<u>\$22,858,451</u>
<i>Deduct:</i>		
Cash dividends:		
4% Cumulative Preferred Stock at rate of \$4.00 per share per annum—five quarterly dividends of \$1.00 per share declared	964,000	
Common Stock — four regular quarterly dividends of \$.75 per share	6,196,555	
	<u>\$ 7,160,555</u>	<u>—0—</u>
<i>Balance — January 31, 1948 (Notes F and G)</i>	<u>\$48,663,804</u>	<u>\$22,858,451</u>

Notes to financial statements follow hereafter.

NOTES TO FINANCIAL STATEMENTS

Note A: The amounts for inventories of merchandise on hand at January 31, 1948 were generally determined by the retail inventory method, using, as to certain inventories, the last-in, first-out principle based on published indexes of price changes since January 31, 1941. Merchandise in transit was priced at invoice cost. The inventory amounts generally are also net of discounts.

Note B: The equity in the unconsolidated real estate subsidiary's capital and earned surplus as shown by its balance sheet included elsewhere in this report, was \$9,210 in excess of the cost of the investment.

Note C: The carrying amounts for land, buildings, store fixtures, equipment, etc., are as follows:

1. Properties held by subsidiaries at the dates of acquisition of their capital stocks, at amounts shown by their books (which amounts, so far as is known, represented cost to the subsidiaries), less a reduction for part of the excess of the equity in net assets of certain subsidiaries at dates of acquisition over the cost of their capital stocks.
2. Other property items at cost.

Note D: Under the terms of the 3½% Promissory Notes due 1967, the Corporation is obligated, on February 1, 1949 and annually thereafter, to pay on the principal of the notes the following amounts:

1949 through	1956 —	\$ 750,000
1957	" 1960 —	1,000,000
1961	" 1964 —	1,250,000
1965	" 1967 —	1,500,000

The Corporation has the right under certain conditions to make prepayment on the notes. The notes provide, among other things, certain limitations on the declaration and payment of cash dividends on Common Stock of the Corporation. See Note F.

Note E: The 4% Cumulative Preferred Stock may be redeemed, in whole or in part, at any time at the option of the Board of Directors of the Corporation at the following prices, plus accrued dividends:

- \$103 per share if redeemed on or before October 1, 1948,
- \$102 per share if redeemed thereafter and on or before October 1, 1950,
- \$101 per share if redeemed thereafter and on or before October 1, 1952, and
- \$100 per share if redeemed thereafter.

The amount payable to the holders of 4% Cumulative Preferred Stock in the event of involuntary liquidation shall be \$100 per share, and in the event of voluntary liquidation shall be the then current redemption price (otherwise than for the sinking fund), plus in each case accrued dividends.

The Corporation under its Certificate of Incorporation, as amended, is obligated on or before December 31st, each year, to acquire by redemption at the sinking fund redemption price of \$100 per share, or by purchase at not exceeding such redemption price, 2% of the greatest number (200,000) of shares of any series of Cumulative Preferred Stock theretofore issued. The Corporation has complied with such requirement to December 31, 1947. The Corporation may apply 3,600 shares held in treasury and 500 shares purchased after January 31, 1948 against the sinking fund requirement for the year 1948. The Certificate also provides, among other things, certain limitations on the amount of cash dividends that may be paid on Common Stock of the Corporation so long as any of the Cumulative Preferred Stock remains outstanding. See Note F.

Note F: As referred to in Notes D and E, payment of cash dividends on Common Stock of the Corporation is restricted by provisions of both the Certificate of Incorporation, as amended, and the 3½% Promissory Notes. At January 31, 1948, the amount of surplus not restricted as to dividend payments under such provisions was approximately \$16,572,700.

Note G: Upon the basis of treating \$360,000 par value Cumulative Preferred Stock in treasury as though retired.

Note H: In July 1945, the Corporation entered into an agreement with certain banks for a revolving credit of \$10,000,000 available to February 1, 1951, under which, at January 31, 1948, there were no notes issued. Any amount borrowed thereunder may be repaid by the Corporation and reborrowed from time to time. The agreement, among other things, requires the Corporation (1) to maintain at all times consolidated current assets in excess of consolidated current liabilities by at least \$30,000,000, and (2) to maintain at all times consolidated current assets at an amount in excess of 125% of consolidated total liabilities. In the event of any default (as defined) the said agreement may be terminated at the election of any one of the banks and all liabilities thereunder shall be due and payable.

Note I: Federal income tax returns for the years up to and including the year ended January 31, 1942 have been audited by the Bureau of Internal Revenue, and settlement made with respect to years up to and including the year ended January 31, 1941. No report has been submitted by the Bureau as to its findings for the year ended January 31, 1942, because of a test case involving the right of department stores to use the last-in, first-out principle in determining the amounts of merchandise inventories for tax purposes. The use of this principle by department stores has now been authorized. It is believed that, for all years involved, adequate provision has been made for claimable refunds and possible additional assessments.

ALSTORES REALTY CORPORATION

Balance Sheet — January 31, 1948

ASSETS

Cash		\$ 56,056
Rents receivable (including \$12,500 from affiliated company)		43,854
Land	\$1,104,045	
Buildings — at cost, less reserve for depreciation (\$15,050)	<u>2,152,150</u>	3,256,195
Unamortized mortgage expense (\$21,875) and unexpired insurance premiums		<u>25,203</u>
		<u><u>\$3,381,308</u></u>

LIABILITIES

Accounts payable		\$ 23,213
Accrued real estate taxes, interest and expenses		88,410
Federal taxes on income — estimated		2,700
Indebtedness to Allied Stores Corporation		507,775
First Mortgage 3½% Sinking Fund Bonds due 1973 (Note):		
Authorized \$3,400,000, authenticated and issued		2,500,000
Capital Stock and Surplus:		
Capital stock — par value \$100 per share:		
Authorized 5,000 shares, issued 2,500 shares	\$ 250,000	
Surplus — earned	<u>9,210</u>	<u>259,210</u>
		<u><u>\$3,381,308</u></u>

NOTE: The Indenture relating to First Mortgage 3½% Sinking Fund Bonds due 1973, provides for a payment of \$42,500 on April 14, 1948 and quarterly thereafter for interest and sinking fund, without premium. The Corporation after January 15, 1953, may, at its option, (a) redeem bonds as a whole or from time to time in part, at the following prices and accrued interest:

- 102% if redeemed on or after January 15, 1953 and before January 14, 1954,
- 101½% if redeemed thereafter and on or before January 14, 1955,
- 101% if redeemed thereafter and on or before January 14, 1956,
- 100½% if redeemed thereafter and on or before January 14, 1957, and
- 100% if redeemed thereafter;

and (b) also redeem bonds in an aggregate principal amount up to but not exceeding \$170,000, as a whole or from time to time in part, during the twelve months period commencing January 15, 1949 and up to but not exceeding a like principal amount during each successive twelve months period to January 15, 1957, at the redemption price of 100 and accrued interest, without premium.

Subsequently to January 31, 1948, the property subject to the mortgage was leased (the lease being guaranteed by Allied Stores Corporation) to another subsidiary of Allied Stores Corporation for a term of thirty years at an annual rental equal to the greater of (a) \$160,000, plus an annual amount equal to 5% of the cost of all improvements made by the Lessor of the premises, or (b) \$185,000. In addition the Lessee is to pay certain taxes, assessments, etc.

ALSTORES REALTY CORPORATION

Statement of Income for the period from November 14, 1947 to January 31, 1948

Rental income (including \$12,500 from affiliated company)	\$48,623
Operating expenses (including provision for depreciation of \$15,050)	36,713
Net income before federal taxes on income	<u>\$11,910</u>
Provision for estimated federal taxes on income	2,700
Net income transferred to earned surplus	<u>\$ 9,210</u>

ACCOUNTANTS' REPORT

BOARD OF DIRECTORS,
ALSTORES REALTY CORPORATION,
NEW YORK, NEW YORK.

We have examined the balance sheet of ALSTORES REALTY CORPORATION as of January 31, 1948, and the statement of income for the period from November 14, 1947 to January 31, 1948, have reviewed the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statement of income presents fairly the position of ALSTORES REALTY CORPORATION at January 31, 1948, and the results of its operations for the period, in conformity with generally accepted accounting principles.

ERNST & ERNST.

New York, N. Y.
April 29, 1948.

ALLIED STORES CORPORATION AND SUBSIDIARIES CONSOLIDATED

Comparative Consolidated Balance Sheets -- January 31, 1938-1948

	1938	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
Current Assets:											
Cash	\$ 2,597,419	\$ 4,034,161	\$ 2,164,136	\$ 2,616,077	\$ 3,636,068	\$13,774,875	\$10,573,279	\$13,394,280	\$13,513,622	\$ 10,607,766	\$ 15,009,775
U. S. Government Securities...	—	—	—	—	—	102,177	4,518,451	4,861,859	1,495,262	191,491	—
Accounts and Notes Receivable (net), etc.....	17,374,482	16,335,227	17,874,340	18,687,335	23,029,647	16,919,552	14,767,979	18,226,637	21,641,404	37,613,764	46,245,074
Merchandise Inventories.....	15,433,392	14,758,424	17,390,733	18,399,979	24,215,448	23,481,324	28,055,174	30,540,655	30,264,585	53,038,034	52,830,083
Federal Income Tax Refunds...	—	—	—	—	—	—	—	—	—	—	2,964,360
Total Current Assets.....	35,405,293	35,127,812	37,429,209	39,703,391	50,881,163	54,277,928	57,914,883	67,023,431	66,914,873	101,471,055	117,049,292
Land, Buildings, Equipment, etc.:											
Land	16,880,400	16,982,901	19,579,536	18,624,178	18,638,537	17,693,669	16,060,675	12,551,517	2,000,300	3,318,361	4,499,471
Buildings and equipment (net).	7,243,246	8,235,999	9,153,537	8,893,484	8,858,228	8,135,704	7,817,505	7,372,968	2,469,582	3,359,043	4,906,677
Store fixtures and equipment (net).....	3,714,019	3,416,251	4,057,585	4,350,863	4,939,885	4,792,668	4,556,758	4,627,886	4,740,065	6,531,786	11,392,148
Improvements to leased property (net).....	539,000	621,070	1,264,100	1,401,235	1,425,127	1,369,075	1,266,279	1,275,311	1,830,285	5,895,971	12,086,796
Total land, buildings, equipment, etc.....	28,376,665	29,256,221	34,054,758	33,259,760	33,861,777	31,993,116	29,701,217	25,827,682	11,040,232	19,105,161	32,885,092
Other Assets.....	748,797	749,449	771,918	907,098	1,225,518	1,207,638	1,456,044	2,433,191	1,397,143	2,145,366	2,585,166
Investment in and advance to Subsidiary Company--Not consolidated.....	—	—	—	—	—	—	—	—	—	—	757,775
Deferred and Prepaid Expenses...	821,726	862,568	975,258	1,009,741	1,651,826	1,939,214	1,929,512	2,016,344	2,078,965	2,550,956	2,862,481
Unamortized Long Term Debt	232,239	203,635	180,605	157,358	162,280	141,758	122,301	10,161	—	—	105,659
Discount and Expense.....	—	—	—	—	—	—	—	—	—	—	—
Good Will and Other Intangible Assets.....	1	1	1	1	1	1	1	1	1	1	1
	\$65,584,721	\$66,199,686	\$73,411,749	\$75,037,349	\$87,782,565	\$89,559,655	\$91,123,958	\$97,310,810	\$81,431,214	\$125,272,539	\$156,245,466

Current Liabilities:

Notes payable to banks for current loans.....	\$ —	\$ —	\$ 800,000	\$ 900,000	\$ 2,900,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other current liabilities.....	7,126,163	7,281,890	9,311,510	10,107,864	17,415,750	14,664,342	15,847,086	20,576,183	18,318,608	36,557,491	36,203,151	36,203,151
Total Current Liabilities.....	7,126,163	7,281,890	10,111,510	11,007,864	20,315,750	14,664,342	15,847,086	20,576,183	18,318,608	36,557,491	36,203,151	36,203,151
Funded Debt and Long Term Obligations (exclusive of amounts included under current liabilities)	19,281,852	18,509,818	20,732,712	19,439,913	18,657,990	23,188,957	20,430,623	17,357,398	—	—	25,000,000	25,000,000
Reserves.....	1,784,285	2,030,544	2,052,229	2,179,112	1,157,487	1,355,030	1,366,199	1,719,136	2,001,433	2,480,322	2,606,153	2,606,153
Unearned Income.....	468,370	396,034	388,895	467,950	559,440	158,907	—	—	—	—	—	—
Capital Stock and Surplus:												
5% Preferred Stock.....	23,240,100	23,200,100	22,890,100	22,750,100	23,738,300	23,217,600	21,903,100	20,832,900	—	—	—	—
4% Cumulative Preferred Stock, Common Stock—stated at \$1 per share.....	1,808,153	1,808,153	1,817,153	1,817,153	1,817,153	1,817,153	1,817,153	1,817,153	1,804,882	19,500,000	18,840,000	18,840,000
Common Stock in treasury— at cost.....	—	—	—	—	—	(141,420)	(141,116)	(141,116)	—	—	—	—
Surplus	11,875,798	12,973,147	15,419,150	17,375,257	21,536,445	25,299,086	29,980,913	35,149,156	39,306,291	64,672,004	71,522,255	71,522,255
Total Capital Stock and Surplus.....	36,924,051	37,981,400	40,126,403	41,942,510	47,091,898	50,192,419	53,480,050	57,658,093	61,111,173	86,234,726	92,436,162	92,436,162
	\$65,584,721	\$66,199,686	\$73,411,749	\$75,037,349	\$87,782,565	\$89,559,655	\$91,123,958	\$97,310,810	\$81,431,214	\$125,272,539	\$156,245,466	\$156,245,466

ALLIED STORES CORPORATION AND SUBSIDIARIES CONSOLIDATED

Comparative Consolidated Statements of Profit and Loss, Earned Surplus, and Capital Surplus for the Fiscal Years Ended January 31, 1939-1948

	Profit and Loss for the Fiscal Year Ended January 31										Total for the Ten Years
Net Sales	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948	
(including leased departments)	\$103,243,425	\$112,122,354	\$121,270,682	\$151,808,858	\$170,828,164	\$203,718,739	\$241,923,628	\$281,602,454	\$361,712,370	\$392,199,076	\$2,140,429,750
Gross margin	34,985,055	38,370,942	41,417,929	52,505,940	60,951,222	72,619,931	85,959,752	97,257,502	116,855,116	120,135,655	721,059,044
Operating expenses:											
Provision for depreciation	1,189,427	1,264,588	1,290,135	1,364,814	1,334,045	1,246,723	1,215,757	1,050,161	1,196,656	1,831,546	12,983,852
Maintenance and repairs	557,055	743,135	728,798	1,107,500	1,292,419	1,408,253	1,735,626	2,232,950	2,475,177	3,056,780	15,337,693
All other operating expenses	29,651,588	31,491,864	33,453,540	39,846,926	42,026,315	48,613,704	56,661,550	66,463,836	82,662,837	94,422,629	525,294,789
Total operating expenses	31,398,070	33,499,587	35,472,473	42,319,240	44,652,779	51,268,680	59,612,933	69,746,947	86,334,670	99,310,955	553,616,334
Operating profit	3,586,985	4,871,355	5,945,456	10,186,700	16,298,443	21,351,251	26,346,819	27,510,555	30,520,446	20,824,700	167,442,710
Other income—net	60,481	248,388	366,343	245,551	188,991	408,019	429,487	438,224	424,560	116,489	2,926,533
Interest charges	3,647,466	5,119,743	6,311,799	10,432,251	16,487,434	21,759,270	26,776,306	27,948,779	30,945,006	20,941,189	170,369,243
Loss on sale of land and buildings	2,758,721	4,155,585	5,353,129	9,494,258	15,578,184	20,866,104	25,793,933	27,470,401	30,903,752	20,797,463	163,169,530
Profit before federal taxes on income	2,758,721	4,155,585	5,353,129	9,494,258	14,181,428	19,550,603	23,330,407	27,470,401	30,903,752	20,797,463	157,995,747
Provision for estimated federal taxes on income	525,000	720,000	1,355,000	4,200,000	8,500,000	12,700,000	16,100,000	19,100,000	12,525,000	7,174,179	82,899,179
Consolidated net profit	\$ 2,233,721	\$ 3,435,585	\$ 3,998,129	\$ 5,294,258	\$ 5,681,428	\$ 6,850,603	\$ 7,230,407	\$ 8,370,401	\$ 18,378,752	\$ 13,623,284	\$ 75,096,568

EARNED SURPLUS

Balance at beginning of period...	\$ 3,108,875	\$ 4,182,091	\$ 6,467,796	\$ 8,341,670	\$ 11,276,854	\$ 14,699,202	\$ 19,157,370	\$ 24,405,612	\$ 28,440,359	\$ 42,201,075	\$ 3,108,875
Add—											
Consolidated net profit.....	2,233,721	3,435,585	3,998,129	5,294,258	5,681,428	6,850,603	7,230,407	8,370,401	18,378,752	13,623,284	75,096,568
Other surplus credits.....	—	—	—	—	—	—	981,957	—	—	—	981,957
Total.....	5,342,596	7,617,676	10,465,925	13,635,928	16,958,282	21,549,805	27,369,734	32,776,013	46,819,111	55,824,359	79,187,400
Deduct—											
Dividends paid:											
On 5% Preferred Stock.....	1,160,505	1,149,880	1,142,297	1,161,450	1,176,151	1,129,018	1,056,400	908,632	—	—	8,884,333
On 4% Preferred Stock.....	—	—	—	—	—	—	—	160,000	796,000	964,000	1,920,000
On Common Stock.....	—	—	—	—	1,082,929	1,263,417	1,804,882	2,617,079	3,816,036	6,196,555	16,780,898
Other surplus charges.....	—	—	981,958	1,197,624	—	—	102,840	649,943	6,000	—	2,938,365
Total deductions.....	1,160,505	1,149,880	2,124,255	2,359,074	2,259,080	2,392,435	2,964,122	4,335,654	4,618,036	7,160,555	30,523,596
Balance at end of period.....	\$ 4,182,091	\$ 6,467,796	\$ 8,341,670	\$ 11,276,854	\$ 14,699,202	\$ 19,157,370	\$ 24,405,612	\$ 28,440,359	\$ 42,201,075	\$ 48,663,804	\$ 48,663,804

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CAPITAL SURPLUS

Balance at beginning of period...	\$ 8,766,923	\$ 8,791,056	\$ 8,951,354	\$ 9,033,587	\$ 10,259,591	\$ 10,599,884	\$ 10,743,543	\$ 10,865,931	\$ 22,470,929	\$ 8,766,923
Add—										
Discount on repurchase of Preferred Stock.....	24,133	106,329	82,233	54,217	282,719	143,659	—	—	15,821	709,261
Excess of consideration for issuance of shares of common stock over \$1 per share fixed as capital.....	—	—	—	—	—	—	—	—	11,604,848	350,033
Transfer from reserve for contingencies.....	—	—	—	1,171,787	—	—	—	—	—	—
Other credits (net).....	—	53,969	—	—	57,574	—	—	122,388	—	21,668
Balance at end of period.....	\$ 8,791,056	\$ 8,951,354	\$ 9,033,587	\$ 10,259,591	\$ 10,599,884	\$ 10,743,543	\$ 10,865,931	\$ 22,470,929	\$ 22,858,451	\$ 22,858,451
Total surplus at end of period.....	\$ 12,973,147	\$ 15,419,150	\$ 17,375,257	\$ 21,536,445	\$ 25,299,086	\$ 29,900,913	\$ 35,149,155	\$ 39,306,290	\$ 64,672,004	\$ 71,522,255

STORES OWNED BY
ALLIED STORES CORPORATION

<i>Store</i>	<i>City</i>	<i>Managing Director</i>
POLSKY'S	Akron, Ohio	Earl D. Warner
O'NEILL'S	Baltimore, Md.	Donald J. Tobin
GOLDEN RULE	Boise, Idaho	A. C. Willemssen
JORDAN MARSH	Boston, Mass.	Edward R. Mitton
ROLLMAN'S	Cincinnati, Ohio	George B. Jacobs
DAVIS'	Cleveland, Ohio	George Rothen
LINDNER'S	Cleveland, Ohio	Simon Olson
MOREHOUSE-MARTENS	Columbus, Ohio	George L. Deegan
TITCHER-GOETTINGER	Dallas, Texas	William J. Brown
LAUBACH'S	Easton, Pa.	Harry J. Schwartz
RUMBAUGH-MACLAIN	Everett, Wash.	Howard H. Young
HERPOLSHHEIMER'S	Grand Rapids and Muskegon, Mich.	C. Orrin Ransford
PARIS OF MONTANA	Great Falls, Mont.	E. C. Bingham
MEYER'S	Greensboro, N. C.	Joseph T. Martin
POMEROY'S	Harrisburg, Pa.	Charles A. Holmes
FIELD'S	Jackson, Mich.	Fred F. Ingram
GERTZ	Jamaica, N. Y.	Harry Gertz
PECK'S	Kansas City, Mo.	Ray C. McCreery
MULLER'S	Lake Charles, La.	Adolph S. Marx
BON TON	Lebanon, Pa.	Max Heller
BON MARCHÉ	Lowell, Mass.	Carl B. Wenigmann
GUGGENHEIMER'S	Lynchburg, Va.	Max Guggenheimer
JOSLIN'S	Malden, Mass.	B. L. Dickehut
DONALDSON'S	Minneapolis, Minn.	Kenneth G. Iverson
QUACKENBUSH	Paterson, N. J.	Ralph F. Waltz
WAITE'S	Pontiac, Mich.	Charles G. Rudderham
POMEROY'S	Pottsville, Pa.	Robert B. Gable
POMEROY'S	Reading, Pa.	Leo S. Hubbard
JOSKE'S OF TEXAS	San Antonio, Texas	Edward C. Sullivan

STORES OWNED BY
ALLIED STORES CORPORATION (Continued)

<i>Store</i>	<i>City</i>	<i>Managing Director</i>
LEVY'S OF SAVANNAH	Savannah, Ga.	Lester E. Hanf
BON MARCHÉ	Seattle, Wash.	Rex L. Allison
BON MARCHÉ	Spokane, Wash.	Walter B. Reiter
HEER'S	Springfield, Mo.	Felix W. McClerkin
GOLDEN RULE	St. Paul, Minn.	Philip J. Troy
MAAS BROTHERS	St. Petersburg, Fla.	Jerome A. Waterman
DEY BROTHERS	Syracuse, N. Y.	James H. Reedy
FISHER'S	Tacoma, Wash.	W. R. Lewis
MAAS BROTHERS	Tampa, Fla.	Jerome A. Waterman
BLACK'S	Waterloo, Iowa	Ernest E. Baily
POMEROY'S	Wilkes-Barre, Pa.	Harry D. Adamy
BARNES-WOODIN	Yakima, Wash.	Knute Kristell
A. E. TROUTMAN	Greensburg, Pennsylvania	
(Operates stores in Greensburg, Butler, Dubois, Indiana, Connellsville and Latrobe, Pennsylvania)		
C. C. ANDERSON STORES COMPANY	Boise, Idaho	
(Branches in fifteen cities in Idaho, four cities in Oregon, three cities in Washington, two cities in Colorado, two cities in Utah)		

Represented in the domestic markets by

ALLIED PURCHASING CORPORATION

1440 Broadway, New York 18, N. Y.

1413 Merchandise Mart, Chicago 54, Ill.

756 South Broadway, Los Angeles 14, Calif.

Represented in foreign markets by

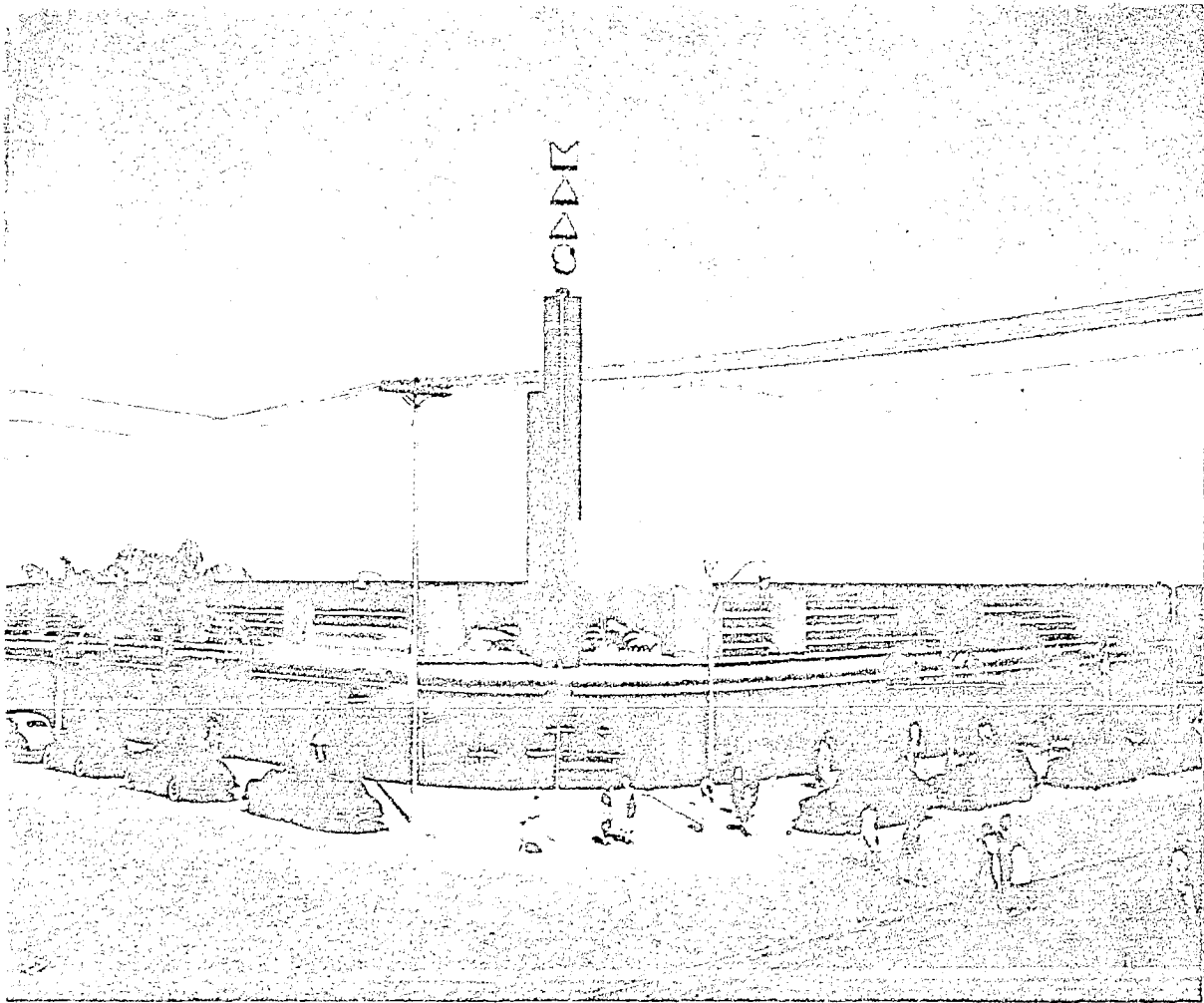
METASCO, INC.

11 Berkeley Street, London W 1, England

10 Rue Clement Marat, Paris XIII, France

*Agencies in Milan and Florence, Italy; Prague, Czechoslovakia
and Stockholm, Sweden*

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MAAS BROTHERS' NEW STORE—ST. PETERSBURG, FLORIDA

LOCATED in an area of growing opportunity, St. Petersburg is one of the brightest spots of the rapidly developing South. Founded only half a century ago, it is today a community of 90,000 permanent residents and entertains annually 300,000 visitors from all parts of the world.

Maas Brothers' new store in St. Petersburg, completed in March, 1948, contains four acres of floor space. Its streamlined architecture, its modern decor, its airy spaciousness, harmonize perfectly with the semi-tropical setting. The building's interior layout, lighting and fixturing carry out the same fresh modern feeling. It is frequently referred to as "the most beautiful store in the United States".